

Message Text

LIMITED OFFICIAL USE

PAGE 01 CARACA 04320 142133Z

13

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 INT-08 TRSE-00 CIAE-00

DODE-00 INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01

SP-03 CIEP-02 OPIC-12 AID-20 NSC-07 DRC-01 /116 W

----- 017940

R 141952Z MAY 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 3802

LIMITED OFFICIAL USE CARACAS 4320

EO 11652: NA

TAGS: EMIN VE

SUBJECT: NATIONALIZATION OF IRON ORE INDUSTRY

1. UNDER HEADLINE "U.S. STEEL WANTS GREATER COMPENSATION FOR GUAYANA MINES," CARACAS PRESS CARRIED STORY MAY 14, BASED ON UPI DISPATCH FROM NEW YORK, WHICH SAID THAT "...SUM OF \$200,000,000 MENTIONED BY MINISTRY OF MINES AND HYDROCARBONS OF VENEZUELA AS COMPENSATION FOR TWO COMPANIES (...FOR NATIONALIZATION OF IRON MINES) DOES NOT TAKE INTO ACCOUNT VALUE OF IRON ORE NOT YET EXPORTED." SINCE BUSINESS WEEK ARTICLE WAS BASED ON AN INTERVIEW WITH EDGAR SPEER, PRESIDENT OF U.S. STEEL, IMPRESSION GIVEN TO READER IS THAT QUOTED STATEMENT WAS MADE BY SPEER, WHEREAS IN REALITY IT WAS A STATEMENT BY MAGAZINE'S REPORTER.

2. ORINOCO MINING COMPANY, LOCAL AFFILIATE OF U.S. STEEL, IS VERY CONCERNED THAT BUSINESS WEEK HAS CREATED IMPRESSION THAT COMPANY IS ABOUT TO ENGAGE IN PUBLIC QUARREL WITH VENEZUELAN GOVERNMENT OVER AMOUNT OF COMPENSATION FOR NATIONALIZATION OF ITS IRON MINES. IN REALITY, ORINOCO MINING COMPANY WOULD LIKE TO AVOID ANY SUCH CONFLICT, ACCORDING TO ITS DIRECTOR OF PUBLIC RELATIONS, LUIS VITERI, BECAUSE SUCH A CONFLICT WOULD NOT BE HELPFUL TO ITS EFFORTS TO TRY TO WORK OUT A VIABLE ARRANGEMENT FOR FUTURE OPERATIONS WITH VENEZUELAN GOVERNMENT. GIVEN CLEAR PROVISION OF VENEZUELAN LAW THAT SUB-SOIL RESOURCES BELONG TO THE STATE, ANY SUCH CLAIM FOR

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CARACA 04320 142133Z

COMPENSATION FOR IRON ORE NOT YET MINED WOULD CLEARLY BE FUTILE,

IN VITERI'S OPINION. ORINOCO MINING DOES OF COURSE HOPE TO RECEIVE A REASONABLE COMPENSATION FOR VALUE OF ITS ASSETS IN VENEZUELA, BUT VITERI WAS NOT IN A POSITION TO ESTIMATE WHETHER \$200,000,000 SUM MENTIONED BY MINISTER WOULD SERVE THAT PURPOSE.

3. VITERI TELEPHONED PITTSBURGH A.M. MAY 14 AND RECEIVED ASSURANCES THAT U.S. STEEL PRESIDENT SPEER HAD MADE NO STATEMENT OF KIND ATTRIBUTED TO HIM BY CARACAS PRESS. VITERI INTENDS TO SO INFORM DEPUTY MINISTER OF MINES P.M, MAY 14.

4. REGARDING TIMING OF NATIONALIZATION, VITERI EXPECTS ACTION TO BE TAKEN ON IRON ORE PRIOR TO NATIONALIZATION OF PETROLEUM CONCESSIONS. HE IS NOT YET SURE WHAT FORM NATIONALIZATION WILL TAKE AND UNCERTAIN ABOUT WHAT ROLE MIGHT BE LEFT TO COMPANY IN VENEZUELAN IRON ORE INDUSTRY. HE BELIEVES THAT VENEZUELAN GOVERNMENT HAS NOT YET DECIDED THIS MATTER.

5. VITERI IS HOPEFUL THAT SOME REASONABLE ARRANGEMENT CAN BE WORKED OUT FOR ORINOCO MINING COMPANY. HE BELIEVES THAT GOVERNMENT WILL NOT WISH TO CUT OFF EXPORTS TO U.S. AND OTHER CUSTOMERS, ALTHOUGH HE THINKS THEY WILL BE PHASED DOWN OVER TIME, AND PERHAPS MORE RAPIDLY THAN WILL BE NEEDED TO PROVIDE FOR IRON ORE NEEDS OF GROWING VENEZUELAN STEEL INDUSTRY. HE OBSERVES THAT EVEN WHEN VENEZUELAN STEEL INDUSTRY GROWS TO EXPECTED 6 MILLION TONS CAPACITY (IT IS ONE MILLION TONS AT PRESENT) INDUSTRY WILL REQUIRE ONLY ABOUT 10 MILLION TONS OF IRON ORE, AS COMPARED TO CURRENT IRON ORE PRODUCTION OF 24 MILLION TONS. VITERI ALSO BELIEVES THAT GOVERNMENT WILL BE INFLUENCED BY DESIRE TO PRESERVE JOBS OF SOME 4,000 EMPLOYEES OF IRON MINING INDUSTRY, WHO ARE RECEIVING WAGES SUBSTANTIALLY ABOVE THOSE MADE BY NATIONAL STEEL COMPANY.
FISHER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, IRON, NATIONALIZATION, MINING INDUSTRY, INDEMNIFICATION
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinjw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CARACA04320
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740119-0227
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740550/aaaabsok.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 23 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 SEP 2002 by boyleja>; APPROVED <06 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NATIONALIZATION OF IRON ORE INDUSTRY
TAGS: EMIN, VE, US, ORINOCO MINING COMPANY
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005